



**USAID** | **AFGHANISTAN**  
FROM THE AMERICAN PEOPLE

# AGRICULTURAL CREDIT ENHANCEMENT (ACE) PROGRAM

## QUARTERLY REPORT Q2 FY 2011

### JANUARY 1 – MARCH 31, 2011



Photo: ACE/ADF lending team presenting the advantages of Roshan/M-Paisa pay service to members of the Eastern Region Fruit Growers Association in Nangarhar Province, Jalalabad city. EFGA has received a loan of \$500,000 from the ADF to further on-lend to 1,800 member farmers for the purchase of fertilizers.

This publication was produced for review by the United States Agency for International Development. It was prepared by the Agricultural Credit Enhancement Program, implemented by Development Alternatives, Inc.

# QUARTERLY REPORT

## QUARTER 2, FISCAL YEAR 2011

Program Title: Agricultural Credit Enhancement Program

Contract Number: EDH-I-00-05-00004

Contractor: Development Alternatives, Inc.

Date of Submission: April 30, 2011

Contracts Officer Technical  
Representative: Ali Ahmad

Contracting Officer: Nataliya Holl

Chief of Party: Juan M. Estrada-Valle

## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	4
Component 1: Delivery of Credit Services .....	6
Internal Audit and Compliance .....	11
Pipeline Tracker .....	<b>Error! Bookmark not defined.</b>
Component 2: Agricultural Modernization and Value Chain Development.....	15
Component 3: Coordination and Knowledge Management.....	19
Performance Management .....	21
Administrative and Human Resources.....	27
Key Administrative Challenges and Lessons Learned .....	28
IMPLEMENTATION CHALLENGES .....	28

## EXECUTIVE SUMMARY

The Agricultural Credit Enhancement (ACE) Program reached US\$16 million in loans approved at the start of the third quarter. The approvals resulting from the last ADF/MAIL/USAID Credit Committee include a US\$4.95 million loan to the Afghanistan National Seed Organization (ANSOR) and a US\$100,000 loan to Season Honey, a medium-scale honey processing company located in Jalalabad. The loan to ANSOR will directly reach over 3,000 seed producers and will assist 93 Seed Enterprises, while the loan to Season Honey will enable the company to integrate an additional 300 beekeepers from Kunar, Laghman, Nangarhar and Nuristan provinces into their supplier network.

The quarter was spent on important programmatic activities including the approval of two additional loans, disbursements of four loans, participation of ADF clients in national and international fairs, and the launching of the Credit Management Unit (CMU) concept which is currently under implementation with Pashtany Bank. Building upon the experience of Pashtany Bank, CMUs will be established for ANSOR, Bamyan Cooperatives and The Eastern Fruit Growers Association (EFGA). The reporting period was characterized by a close cooperation and joint efforts of the ACE lending, value chain and market information teams, aiming for high quality loan packages through thorough technical assessments and the inclusion of market intelligence.

The loan pipeline for the next quarter consists of US\$10.9 million in encouraging loan prospects which will be further developed in the following month. Regional lending officers have been aggressively looking for new business opportunities and have continually assisted agribusinesses with the loan application process. The value chain team made an enormous contribution to the program by conducting technical assessments for commodities grown by agribusinesses and farmers associations applying for ADF loans. Overall, the technical assistance of the value chain team through special studies have informed and influenced investment decisions of the project. The audit team has supported the decision making process through detailed pre-audit reports of the prospective borrowers and financial analysis.

In January, ACE launched a new innovative lending product. This product is Murabahah (Sharia Compliant) for the agricultural sector and is being used for the first time in Afghanistan with three borrowers; Afghanistan

## ACHIEVEMENTS

### JANUARY - MARCH 2011

- TO DATE ACE/ADF HAS APPROVED LOANS THROUGH FINANCIAL AND NON-FINANCIAL INTERMEDIARIES WORTH US\$16 MILLION
- A LOAN OF US\$4.95 MILLION TO ANSOR WILL BENEFIT 93 SEED ENTERPRISES AND OVER 3,000 FARMERS ACROSS AFGHANISTAN
- A LOAN TO BAMYAN POTATO PRODUCING COOPERATIVES WILL BENEFIT 438 FARMERS WHO WILL HAVE ACCESS TO HIGH QUALITY SEEDS AND FERTILIZER WHICH WILL BOOST POTATO YIELDS.
- LAUNCHED A MODIFIED VERSION OF MURABAHAH FOR PROCUREMENT OF AGRICULTURAL INPUTS, 3 CLIENTS ARE ALREADY USING THIS SHARIA-COMPLIANT FINANCIAL PRODUCT
- LAUNCHED THE CONCEPT OF CREDIT MANAGEMENT UNITS AS AN INNOVATIVE TOOL FOR RISK MANAGEMENT WHEN WORKING WITH NON-FINANCIAL INTERMEDIARIES.
- SIGNED AN AGREEMENT WITH M-PAISA, A MOBILE MONEY TRANSFER SERVICE, WHICH WILL ASSIST FARMERS, LOCATED IN REMOTE AREAS TO REPAY THEIR LOANS
- PARTICIPATED IN THE DUBAI GULF FOOD FAIR AND FARMERS' DAY FAIRS ORGANIZED IN KABUL AND JALALABAD
- STRENGTHENED THE COLLABORATION WITH THE MINISTRY OF AGRICULTURE

Almond Industry Organization (AAIDO), Eastern Region Fruit Grower Association (EFGA), and Season Honey Processing and Packaging Company.

A second grant for the establishment of a Credit Management Unit (CMU) has been approved for AAIDO and the CMU concepts for ANSOR, EFGA and Bamyan Cooperatives are underway. The policy department completed a research study on policy recommendations for Da Afghanistan Bank aimed at outlining the best practices in the region concerning the promotion of agricultural lending policies. The MIS department has already translated the market briefs on raisins and grapes into Dari and in Pashto, which have been disseminated through the MAIL website. A new market brief on almonds has also been prepared, and the Knowledge Management database is currently underway.

ACE supported the participation of AAIDO in the Dubai Gulf Food Exhibition in February and supported the Agricultural Fairs organized in Kabul and Nangarhar province for Farmers' Day 2011. The project is preparing to assist the participation of four ADF clients in the Uzbekistan AgroMinitex Expo which will take place in May.

The Monitoring and Evaluation team has taken the lead to provide the non-financial intermediaries with tailor-made forms for loan agreements with farmers. These loan agreements (slips) have been used as the loan proof for direct beneficiaries and constitute the basis of information for further studies, such as baseline and impact assessments.

In the next quarter, ACE is planning two public events for the distribution of seeds and fertilizers to members of Eastern Region Fruit Growers Association in Jalalabad and Bamyan Potato Cooperatives. 438 Potato growers from Bamyan Province will receive an estimated 423 per jerib in seeds and fertilizers on credit, whereas 1,850 orchard farmers in Nangarhar province will receive an estimated \$250 worth of fertilizers on credit.

## Component 1: Delivery of Credit Services

*The delivery of credit services constitutes the core activity of the ACE project. For this purpose, the project team partners with financial and non-financial institutions that seek innovative models to provide farmers with credit, while managing the risks inherent to a weak institutional environment and security challenges.*

TABLE1. The Results of Credit Committee Meetings Held During the Reporting Quarter

	ADF-USAID-MAIL Credit Committee Meetings held between January 1 – April 5, 2011				
<u>Meeting Number</u>	<u>Date of Meeting</u>	<u>Loan Application</u>	<u>Amount</u>	<u>Decision</u>	<u>Notes and Comments</u>
Clients Sensitive Information					

By the end of March, ACE had \$16 Million in loans approved by the joint ADF/MAIL/USAID Credit Committee<sup>1</sup>. Four Credit Committee meetings carried out throughout the reporting period approved four new loans, two contact modifications and rejected the loan proposals for Afghan Finance Corporation (AFC) and Amiri Cultural and Social Foundation. The program faced the need for modifications in two of the loans approved in the previous quarter. The original Sanaizada Edible Oil loan approved on September 19, 2010 by the Minister's "fast track" approval letter was initially requested for raw materials and the construction of a warehouse/factory building, \$100,000 each respectively. The modified Sanaizada loan is now requested at the same amount, \$200,000, but for the purchasing of equipment and the construction of a warehouse and factory building, as the company has already purchased the raw materials.

The Eastern Region Fruit Growers Association initially requested a total of \$2.8 Million broken down in two loans; a term loan to provide 2,800 farmers with a package of fertilizers worth \$440 and a leasing facility to procure 110 tractors with implements. While the loan was approved by the Technical Committee in December 2010, MAIL leadership decided to lower the total amount to \$500,000. This had several implications, among them: a) a reduction in the number of beneficiaries of the fertilizer loan, from 2,800 to 1,850, b) a reduction in the amount of each loan, c) a delay in the disbursement. Tabasom Raisin Processing Factory loan was cancelled before disbursement due to company's unwillingness to meet ADF monitoring and audit requirements. The Poultry Project initially approved in December 2010, was initially approved by Credit Committee and later declined by MAIL leadership. However ACE in partnership with the client will bring it back to the Credit Committee in June with modifications. An STTA will join ACE to work with Afghan Dost Shaq Company (Poultry Project) to review the business plan and introduce bio security and environmental management measures seeking to address MAIL's concerns.

Beside the modifications of the previously approved loans, it was the unanimous Credit Committee decision to approve four new loans. The first loan approved, worth \$121,000, was for the Osiyo Hamkorlik Trading Company and aimed at enabling the company to purchase spare tractor parts. The loan was requested to meet the contractual obligations under USAID/IRD/AVIPA project which will supply tractors and the spare parts to approximately 6,000 farmers through other companies. Osiyo Hamkorlik Trading Company is located in Mazar-e-Sharif and is one of the only companies involved in assembling, repairing and servicing two-wheel tractors in Afghanistan.

The second was a package approved consisted of 8 individual loans worth \$926,750, for 8 potato producing cooperatives in Bamyan. ACE initially received loan requests from eleven potato

---

<sup>1</sup>Formally ANSOR and Season Honey loan packages were approved on April 6, 2011 due to Credit Committee Meeting perpetual postponement. The Credit Committee was scheduled for end March, therefore the project will count these two loans approved during Quarter 2 FY 2011.



producing cooperatives, channeled through the Senior Agricultural Advisor to the Bamyan PRT. Following an assessment of the structure, financial management and credit history of the cooperatives, the program decided to consider the request of eight of the eleven organizations that had initially applied. As a mechanism to further increase the likelihood of repayment, ACE/ADF only considered providing loans to those members with over four jeribs of land grown designated to potato crops, thereby targeting small commercial farmers. ACE's Bamyan Agriculture Input Finance Program will benefit 438 potato growers from Bamyan province with potato seeds and fertilizers on credit. In addition, through its Value Chain Strengthening Unit, ACE will provide technical assistance in crop production, quality control and market development to the borrowers, to ensure the success of their ventures and the repayment of the loans. Through an ADF grant, a Credit Management Unit for the administration of the loan will be established as well.

Season Honey Processing Factory was the recipient of the third ADF loan approved during the quarter. The amount of \$100,000 will be used to expand company's overall business operation. The line of credit designed based on (Murabaha) Islamic lending principle will be used to purchase an additional 33,300 Kg of raw honey from beekeepers which will increase company's working capital.



**Photo at left: View of one of the several meetings between ANSOR representatives and the ACE lending team. Photo at the right: Representatives of Bamyan Potato Cooperatives meeting with ACE lending team, PRT and DAIL representatives in the province of Bamyan.**

Lastly, a line of credit worth \$4,950,000 was approved for Afghanistan National Seed Organization (ANSOR) to purchase wheat seed on a cash basis. The primary beneficiaries of ANSOR will be 93 seed enterprises and approximately 3,000 farmers. Given the relatively large amount of the loan involved and the strategic engagement of ACE/ADF in wheat seed sector, the project held several meetings with MAIL representatives, including Deputy Minister Ghuriani, to discuss the potential loan to ANSOR and align the loan application with MAIL plans and policies. The loan to ANSOR constitutes a significant contribution to Afghan agriculture because of following three fundamental facts:

1. It is congruent with MAIL's strategy to promote commercial production of certified wheat seed as a way to increase productivity and support food security.
2. According to recent findings by ACE, one of the factors constraining the expansion of wheat seed production is the fact that traditionally seed producers deliver the wheat seed in the period of May-July and do not receive their payments until February, which constitutes an



economic disincentive and prevents seed producers from purchasing the appropriate quantities of inputs for the fall planting season. Thus, by bridging this gap, the ADF loan will both introduce an incentive for seed growers to participate in contract production with seed companies, while allowing them to procure the inputs required for the production process.

3. By making of wheat seed production an attractive business proposition, this ACE/ADF intervention will directly support an increase in the supply of certified wheat seed, a reduction of imports, and contribute to national self food reliance. The program will assist ANSOR to establish a Credit Management Unit through a challenge and innovation grant.

TABLE 2: Direct and Indirect Beneficiaries of the Actual ADF Loans

		Direct Beneficiaries				Indirect Beneficiaries		
	Loan to:	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers	Realized Beneficiaries	Approved	Disbursed to Financial Intermediaries	Disbursed to End Borrowers
1	Advance Building System	-	-	-	-	300	-	300
2	Jawid Afghan Wheat Thresher Company	-	-	-	-	8,000		
3	Sanaizada Edible Oil Extraction	200	200	-	-	600		
4	BRAC Bank	25	25	-	-	150	50	
5	AAIDO	500	500	184 (under verification)		-	-	
6	Hamid Flour Mill	275	275	-	-	125	125	-
7	IIFCG	800	231	231		-	-	-
8	AAFSC Kunar	630	630	630		-	-	-
9	AAFSC Helmand	1,489	1,489	1,489		-	-	-
10	East Region Fruit Grower Association	1,800	1,800		-	-	-	-
11	Osiyo Hamkorlik	-	-	-	-	250	250	-
12	Bamyan Aginput Finance Program	438	438	-	-	-	-	-
13	Season Honey	300	300	-	-	-	-	-
14	Afghanistan National Seed Organization	3,500	-	-	-	640,000	-	-
<b>TOTAL</b>		<b>9,957</b>	<b>5,888</b>	<b>2,534</b>	<b>-</b>	<b>649,425</b>	<b>425</b>	<b>300</b>

While the two agribusinesses supported by ADF loans are both located in Balkh province, the ANSOR loan will support farmers and seed enterprises throughout Afghanistan. The actual

(cumulative) ACE performance with loan beneficiaries until the end of Quarter 2 is presented in the next table. While the project is tracking the direct beneficiaries, there is no obligation or engagement of ACE to track the secondary beneficiaries.

After being put on hold due to Minister's approval (MAIL) for a three month period, the loan to Hamid Flour Mill was finally disbursed at the end of March, 2011. Partial disbursement was made for Sanaizada Edible Oil Company and Afghanistan Almond Industry Development Organization (AAIDO). The loan to Osiyo Hamkorlik Trade Company was disbursed in its entirety. In the month of March, Dr. Ahmad Jazayeri joined ACE on an STTA mission to work with Pashtany Bank to assist in the establishment of an Agricultural Credit Department. The consultant has already presented a basic design of the ACD including the strategy, loan products, methodology and staffing of the Agriculture Credit Department of the bank. Financial costs and operating budgets have been prepared and discussed with the management. A preliminary financial feasibility analysis has been also conducted. The consultant will also assist with the establishment of CMUs for Bamyán Potato Cooperatives, Eastern Region Fruit Growers Association and ANSOR.



*Haji Malang, owner of Javid Afghan Thresher, a recipient of an ADF Loan in Jalalabad, Afghanistan "I always dreamed that Afghanistan would one day Manufacture its own agricultural machinery. An ADF loan gave me the opportunity be part of this process, create new jobs and help farmers"*

## SUCCESS STORY

### *Javid Afghan Wheat Thresher*

Javid Afghan Thresher, a company based in the eastern city of Jalalabad is one of the beneficiaries of this lending program. Its owner, Haji Malang who until 6 years ago worked as a welder has become the first large-scale manufacturer of wheat and rice threshers and farm trailers in Afghanistan.

The loan provided to the company will enable Javid Afghan Threshers to increase its production by 20 percent, generating 60 new jobs and to manufacture components that the company had been sourcing from China and Pakistan.

This increase in output will benefit over 1,200 farmers that will have access to of first-stage processing, reducing post-harvest loses and

increasing their incomes. Haji Malang is one of 5,800 beneficiaries of this agricultural credit initiative, seven months after it was launched. An innovation he program is the introduction of Sharia-compliant financial products, in correspondence with the religious and cultural norms of the country.

USAID provided the Government of the Islamic Republic of Afghanistan with a US\$100 million grant to establish the Agricultural Development Fund (ADF). The US government is also providing technical assistance for the management of the fund through the Agricultural Credit Enhancement (ACE) Program during the first 5 years. With investments like this, USAID is supporting the growth of commercial agriculture in Afghanistan, facilitating the transition from a subsidies and grants to fully commercial financial services.

During the last quarter, ACE/ADF launched an innovative lending product. This product is an adapted version of Murabahah (Sharia/Islamic Compliant) for the agricultural sector and is being used for the first time in Afghanistan with three borrowers; Afghanistan Almond Industry Organization (AAIDO), Eastern Region Fruit Grower Association (EFGA) and Season Honey Processing and Packaging Company. Some of the characteristics and advantages of this product are:

- ADF and the borrower share the markup and profit.
- ADF does not share losses with the borrower.
- In case the borrowers face obstacles and cannot make a profit out of the loan, ADF reserves the right to ask for reimbursement of loan principal.
- Flexibility in designing terms and conditions for Murabahah loans.

These products have been used outside Afghanistan by commercial banks, but have never been used for agricultural lending. In this respect, ACE/ADF is making a contribution not only to the financial system in Afghanistan but also world-wide. Murabahah is also a short-term lending system which can be adopted easily for agricultural/seasonal activities.

## ADF TO USE MOBILE TECHNOLOGY

One of several factors constraining credit repayment is the distance between rural households and the offices of financial institutions and the time required to travel, which substantially increases the cost of each transaction.



Seeking to address this constraint and make loan repayments easy and less costly, on March 30 the ADF signed an agreement with Mobile Service Development Afghanistan Limited t/a MSDA, operator of M-PAISA. As part of this agreement, an initial 500 farmers, all ADF borrowers in Kunar, Laghman and Nangarhar provinces will be able to make their loan payments using their mobile phones.

If successful, this service will be expanded to a larger number of ADF borrowers living in remote areas, and for whom each trip outside their villages brings about significant security risks.

M-Paisa is Afghanistan's first mobile money transfer service. M-PAISA builds on Roshan's position as an innovator in the market, bringing unique products and services that serve the needs of the Afghan population.

This partnership brings together the strength of a regional mobile operator and the innovative character and the commitment of the ADF to make agricultural credit accessible to farmers throughout Afghanistan.

## Internal Audit and Compliance

The internal audit team has been working on the pre-audit of several companies during the last quarter such as Sanaizada Edible Oil Company and Osiyo Hamkorlik Trading Company. The team completed the pre-audits for Bashir Ahmad Spice Company and Bagrami Boxes Company. Another pre-audit was conducted for Season Honey Company in Jalalabad and a physical check of Javid Afghan Thresher Company. The Audit advisors found that the Javed Thresher Company has

already produced 150 threshers and has the other 250 in process. The current output is eight threshers a day, and at this rate, the company will be able to achieve its target of 400 threshers in 31 working days. Lastly, the company has sold 60 threshers so far which is a good start, considering the wheat harvesting season is still about 30 days away. The ADF Credit Financial Audit Tool is now in place. The document sets the standards for the financial auditing plan by establishing the Credit File Audit Trail which includes auditing along all steps such as: credit approval, borrower agreement, disbursement, reimbursement, borrower utilization of credit, visit and physical check and loan impact. The audit team is now working on developing the Finance Evaluation Tool which will assist ACE clients in preparing proper financial statements and maintaining high quality financial records.



**Photo at left: Internal Audit team visiting the Season Honey Company in Jalalabad. Photo at the right: Audit team paying a visit to Javed Afghan Thresher Company in Nangarhar Province.**

During the last few months, the ACE Audit Department spent a substantial amount of time presenting ACE clients to the advantages of the Murabahah Islamic lending product. The team met with Roots of Peace to discuss on the possibility of lending to export companies through Pashtany Bank using a Sharia compliant lending system. ACE agreed with current borrower AAIDO on using a Sharia Murabahah product based on an equal share (50/50) markup. The markup is estimated based on the market margins for agricultural inputs.

Additionally, the team conducted a pre-audit assessment for Bamyan Potato Cooperatives by randomly selecting seven cooperatives with the collaboration of other stakeholders, Provincial Reconstruction Team, Bamyan Department of Agriculture Irrigation and Livestock and the



**Photos: ACE team meeting with the Eastern Region Fruit Growers Association in Jalalabad, Nangarhar province. ACE/ADF signing the loan contract with EFGA in Jalalabad on March 31, 2011.**

management of the Cooperatives. Since the co-ops do not possess the best administrative and financial records, the team collected data on the total irrigated area (in Jeribs) owned by potato growers, production and sales values. One of the conclusions of the pre-audit was to avoid lending to cooperatives whose farmers have less than 5% operating profit. The lending team then took the recommendation into consideration while selecting the cooperatives to be funded by the ADF loan.

The internal audit team conducted a pre-audit assessment of two other seed companies, both members of the ANSOR Association; the Kabul Seed Company and the Jalalabad Seed Company. Both companies were found to have excellent profitability rates of 12% and 16% respectively. The audit team also visited Parwan Seed Company, a member of ANSOR, to evaluate the profitability of the company and its capacity to manage and repay a potential loan to ANSOR. An additional pre-audit was conducted for the ANSOR Association Head Office in Kabul which has basic administration, finance and accounting mechanisms to manage and supervise the utilization and reimbursement of the loans to the seed companies, members of ANSOR. The internal audit team also recommended the establishment of a Credit Management Unit for the association.

## ADF LOAN MATRIX – QUARTER 2, FY 2011

Borrower

Loan Type NFI, FI, or  
Direct \*

Approved

Province

Loan \$

**Clients Sensitive Information**

### Loan Pipeline Tracker Report

Borrower

Loan  
Type

Region

Loan  
amount  
requested  
\$

1st Visit

Other  
Visits

Next Mtg

Days  
Elapsed

Probability  
HIGH,  
MEDIUM,  
LOW

Loan  
Application  
Stage

Notes and Comments

**Clients Sensitive Information**



## Component 2: Agricultural Modernization and Value Chain Development

---

### Value Chain Strengthening

*The objectives of ACE's Value-Chain strengthening component are to identify viable value chains that can be upgraded through the provision of financial services, while providing technical assistance to ACE/ADF beneficiaries as a way to increase their prospects for success. The Agricultural Modernization and Value Chain Development team also provides input in the lending process by assessing the technical feasibility of agricultural enterprises applying for loans.*

### Value Chain Development

Throughout the quarter, the value chain team actively engaged in assisting the lending component with the technical assessment and feasibility studies for prospective ADF loans. Assessing the capabilities of Bamyan cooperatives to grow high quality potato required interventions on the potato value chain side and was one of the most important tasks completed by the team. Prior to the presentation of the loan package to the Credit Committee, the ACE team met with the Rural Business Support Program, a project implemented by Roots of Peace, to help potato producing cooperatives currently borrowing ADF funds to procure potato seed for the upcoming planting season. Both parties discussed the procurement of quality potato seeds from Cooperatives in Bamyan focusing on procurement of "NIKOLA", an imported variety of potato seed to be used in RBSP's demonstration with the purpose of showing the benefits of alternative improved varieties. There is also the opportunity for training in crop management by the RBSP potato value chain specialists for cooperatives borrowing ADF funds and a provision of technical assistance and training to farmer members of ADF's client cooperatives will be considered. Both programs will collaborate in organizing a National Potato Workshop in later this month. After the loan approval, the value chain team facilitated the contract with for the fertilizer supply company under the ADF loan between the potato cooperatives and supplier from Bamyan. The value chain team set the minimum specifications of both DAP and Urea fertilizer with other quality standards.

The value chain team also assisted ANSOR at the loan application phase. Lending and value chain advisors met with Deputy Minister Ghuriani of MAIL to discuss the potential loan to ANSOR in order to align the loan application with MAIL plans and policies early in the process. The team also discussed the possibility for ACE's Value Chain unit to support MAIL in the design of this year's wheat seed distribution program. An additional meeting was held with representatives of ANSOR to discuss the technical assistance to be provided by ACE in terms of the introduction of storage management techniques, and preparation of a wheat harvest calendar to be used as a basis for the disbursement of the loans to individual seed



companies. Furthermore, the value chain unit will look into the training programs and workshops on seed production and post harvest management in the region to support the participation of ANSOR in those programs.

In addition to assisting decision making for new ADF loans, the value chain team has been identifying commodities with encouraging market prospects. Onion and fruit crops constitute potential value chains ACE is currently looking at. Based on the request of the onion exporters association for ADF financing, ACE's Value Chain unit is exploring opportunities to collaborate with the USAID's ASAP and TAFA projects in trade and market facilitation to provide solutions to existing export constraints. Nangarhar has a sizeable production of red onions with clear export potential, especially to Pakistan and Dubai, U.A.E. The program will organize a workshop with onion value chain actors to identify the policy constraints for exports. ACE will seek to engage TAFA in discussions related to export constraints for fruit and vegetable traders.

Similarly, the value chain of fruit grown under the EFGA in Nangarhar represents a potential for national and export markets, therefore ACE and ASAP have agreed to coordinate their efforts to strengthen the fruit and vegetable value chain accordingly. In addition, the team met with the Apple Group Union which consists of three companies operating in Maidan, in Wardak province, the largest producer of apricots and apples in the region. The member companies of the union, which are Nagin Sang Co, Afghan Apple Co, and Sheir Hussain Co, are interested in an ADF loan for the purpose of building cold storage facilities for apples to market them in the high price seasons, as well as in the procurement and export of apricots and apples. The union will discuss the opportunity with its members and prepare a business plan for an ADF loan. As far as cold storage is concerned, ACE has engaged a short-term consultant who is looking into the technical and economic feasibility of cold storage facilities at different scales and using different sources or energy. The result of this study will inform future investment decisions by ACE and other development programs.

Over the span of the last three months, the value chain team assisted the participation of AAIDO in the Gulf Food Exhibition in Dubai between February 26<sup>th</sup> and March 1<sup>st</sup> to support the exhibition of Afghan produce and facilitate market contacts as well as to understand which products are in high demand in international markets. ACE's Value Chain staff benefitted from the opportunity to get involved with the latest developments in food production and marketing.



**Photos from Dubai Gulf Food Exhibition: Inauguration of Afghanistan Pavilion and AAIDO representatives discussing business opportunities with international buyers. February 26 – March 1, 2011.**

Also, the project helped with the grant process and preparation for the participation of eight companies/ADF clients to attend the China International Food Exhibition 2011. The program processed the needed/required amount of grant funding to be used for the venture, which was approved by the USAID. However, due to serious delays of the visa issuance by the Chinese Embassy in Kabul, the clients could not obtain the visas on time. Thus, their participation was cancelled and ACE is looking into the opportunity of enabling their participation to Uzbekistan AgroMinitech Expo exhibition which will take place later this month. This activity will be enabled through an ACE Agriculture Modernization grant.



**Photo at left: The Governor of Nangarhar Province Mr. Gul Agha Sherzai, giving a speech at the Farmers' Day Ag Fair organized with the assistance of ACE/ADF. Photo at the right: Afghan children visiting the ADF booth at the Farmers' Day Fair organized in Kabul between March 21-23 2011.**

ACE/ADF participated in the Farmer's Day celebrations that were coordinated by MAIL in Kabul (March 21-23) and Jalalabad (March 21). The ADF booth was under an umbrella of the MAIL Private Sector unit. Hundreds of participants stopped by the ADF booth and obtained information about the program. This allowed the lending team to meet with over ten potential clients. ACE-Jalalabad supported the farmer's day celebrations and DAIL with fertilizers, sprayers, corn threshers and banners for display at the fair. These items were provided as prizes to progressive farmers selected by the DAIL. The project also supported the participation of the ADF clients at the Agricultural Fair enabling them to exhibit their products. The project arranged booths for Jawed Thresher and Season Honey in Jalalabad as well. Minister Mohammad Rahimi visited the ACE/ADF booth in Kabul and conveyed his appreciation for the achievements of the program.



**Photo at the Left: Minister Rahimi visiting ADF booth on Farmers' Day fair in Kabul. Photo at the right: View from the Farmer's Day Agricultural Fair organized in Jalalabad, Nangarhar Province with the assistance of ACE/ADF.**

Due to the heavy focus of the project on lending, as compared to its other two components, the value chain unit has mainly focused on assisting the lending team with technical assessments of prospective loans. Thus, the project will postpone the value chain studies for year two of the project and focus more on making lending available to agribusinesses through the usage of value chain expertise.

## Gender Issues and Grants

To improve coordination and communication among USAID implementing partners and with the USAID Gender Unit, USAID has created an Implementers Gender Group (IGG). In turn, each USAID program is required to establish an IGG. In this regard, ACE joined the Agriculture Unit IGG which met on March 23, 2011 for the first time to discuss their programs and conduct a mapping exercise for the venture. Programs operating in the agricultural sector will cooperate to implement USAID Afghanistan gender strategy starting with information sharing.

ACE and MAIL are currently exploring the possibility of implementing a comprehensive business development program for women. This would be a long-term initiative aimed at building the capacity of cooperatives to manage agricultural loans by on-lending to their members. ACE is also in the process of drafting an ADF gender strategy to be in line with MAIL's and the USG Afghan Women and Girls Strategies. The project identified over 20 women cooperatives registered with MAIL, and in collaboration with the Ministry, is discussing the possibility to design a comprehensive business development workshop session in early spring, along with a long-term project to build the capacity of cooperatives to administer loans.

The ACE/ADF grants team prepared concept notes for the Farm Service Center Association of Afghanistan (FSCAA). The ADF/Challenge Innovation grant request for the East Region Fruit Growers Association (EFGA) for the establishment of the Credit Management Unit has been prepared and approved. The AAIDO ACE grants also aims at establishing a CMU for the administration of the ADF loan by the organization and was approved in March 2011.

## Policy Framework

During the last quarter, ACE also conducted a rapid survey on agricultural credit in 13 central banks as requested by Da Afghanistan Bank. The purpose of the survey was to identify policy models used in other countries, seeking for models that could be implemented in Afghanistan to address some of the challenges limiting the expansion of agricultural credit. The countries surveyed included Indonesia, Nepal, China, Philippines, Pakistan, India, Tajikistan, Bangladesh, Turkey, Malaysia, Thailand, Cambodia and Guatemala. Findings and recommendations were sent to the representatives of the Da Afghanistan Bank for their review and potential implementation. In the next quarter, the ACE policy department will have regional workshops aimed at identifying policy constraints with particular focus on specific commodities and value chains. The first one will take place on or around end of April in Jalalabad city, Nangarhar province and will focus on policy constraints for onion exports.



## Component 3: Coordination and Knowledge Management

*The Knowledge Management Component aims at integrating production and market information currently being generated by an array of organizations, and transforming it into market intelligence applicable by diverse audiences within the agriculture sector, while building the capacity of MAIL staff to manage the system.*

Throughout the last quarter, the MIS component of the ACE program has achieved its goals in a productive and efficient fashion in three main ways:

The first area the MIS team really excelled over the last three months was in the production of market briefs. The MIS unit finalized and published the Raisin and Grape editions, which were prepared in three languages, English, Pashto and Dari. The MIS team disseminated these market briefs on grapes and raisins through the MAIL website (<http://mail.gov.af/en/Page/2207>). The team finalized an entirely new market brief on almonds which contains domestic production by province, export potential and domestic consumption of almonds within Afghanistan. The brief was approved by MAIL and will be disseminated once translations are complete.



The second area where the MIS component made great strides through the last quarter is the Knowledge Management Facility (KMF). The team started the quarter by holding meetings with the head of the MIS department of MAIL and ASAP to discuss the KMF proposal and incorporate their comments and feedback into ACE's design. Based on the positive feedback and praise from the Ministry officials, the KMF was allowed to go forward to the next stages of development, which were data compilation and collaboration with other partners.

At first, other organizations seemed reluctant to share information; however, the wall began to come down when the team met with the Livestock Market Information System (LMIS) program manager for the Afghanistan Peace Project to discuss the possibility of integration of LMIS in the ACE KMF database and web-based platform. Based on this meeting, the LMIS realized the KMF database is a value adding opportunity. It was agreed that the LMIS livestock price data will be integrated into the KMF web platform and further disseminated with other KMF products. This will greatly enhance the KMF since the LMIS provides livestock prices in Afghanistan, Malomat and TAMAS, or daily prices of 25 agriculture and livestock commodities in several markets.

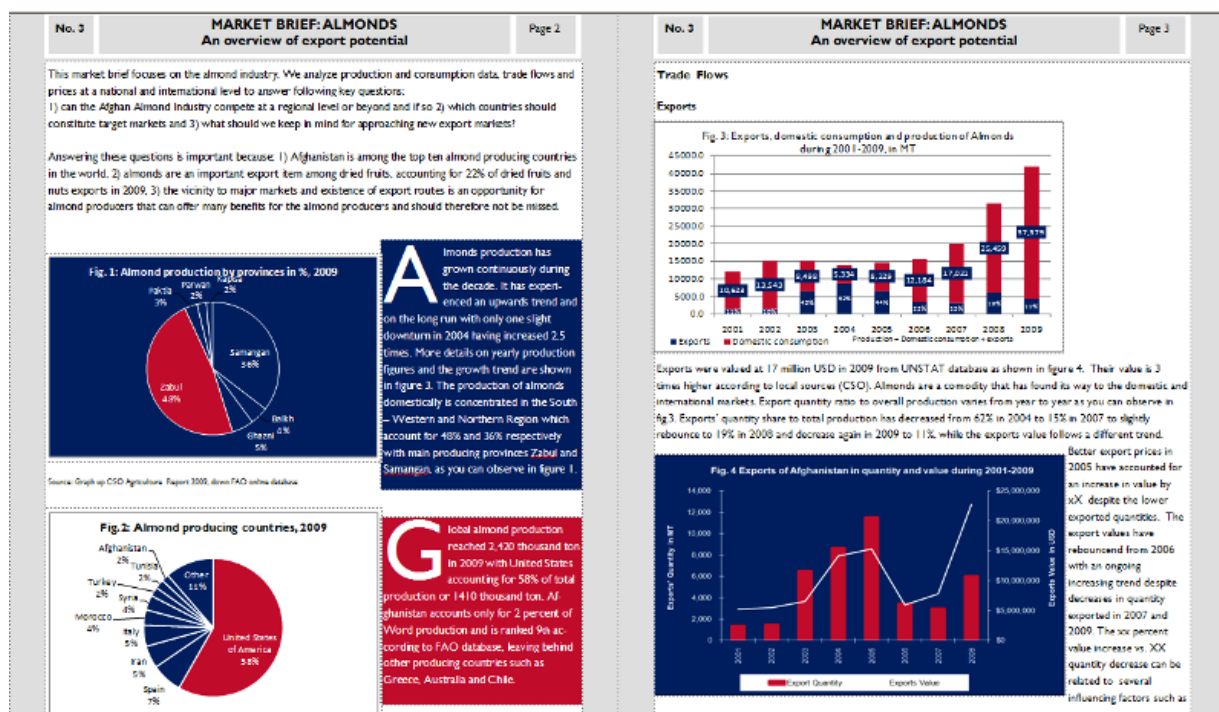
Over the course of March, the team met with Roshan mobile company representatives, a MALOMAT partner, which expressed willingness to share their data with the program. To ensure MAIL ownership on the KMF, the ACE is meeting regularly with MAIL's directors of Marketing and Statistics and Policy and Planning Departments to integrate them to the development of the several modules. The MIS team will continue with this approach and engage other organizations gathering agricultural data demonstrating the benefits from the integration of agriculture related information in a single repository managed by MAIL.

The MIS team presented the design and branding of the KMF to MAIL, along with the first draft of the structure of the Knowledge Management Facility. It was determined that the database would contain wholesale prices from domestic and international markets on a daily basis, which would then be uploaded to the MAIL website and be freely available to interested parties. The team will meet again with MALOMAT and MAIL representatives to present the finalized KMF database. The expected outcome will be the full institutionalization of the data-sharing relationship between all parties. For now though, with the added benefit of the LMIS and Roshan data, the KMF will surely be a plentiful and concise source of information for agricultural prices/information in Afghanistan

Finally, during the quarter, the team completed the design of a questionnaire which will enable both MAIL and ACE to collect required market data. The MIS team distributed the questionnaires to entities currently collecting data, such as the Horticulture and Livestock Program (HLP), Roots of Peace and IDEA-NEW.

It is through these three main areas, agricultural market briefs, the KMF database development, and the market data questionnaires dealing with potential partners, that the MIS team made substantial inroads. MIS will continue to build on these successes for the next quarter to achieve its long term goals and aims through ACE/ADF.

FIGURE 1: View from the Almond Market Brief



## Communication and Outreach

Throughout the reporting period the program worked on the ADF Radio Campaign as a part of the ADF dissemination plan. A radio campaign in celebration of Farmer's Day finalized with over 200 emissions aired on major regional radio stations in the month of March. ADF brochures, posters and Farmer's Day e-greeting cards were developed and distributed as well during the Agricultural fairs held in Jalalabad and Kabul.

ACE developed three news briefs for January, February and March respectively. The briefs contained highlights from project accomplishments such as the opening of the ACE/ADF regional offices and the new loans which benefit farmers across Afghanistan. The project also submitted a success story on the impact of Afghan Javid Thresher Company operating in Jalalabad. The success story was submitted to USAID and has now been posted on USAID's official website.

## Performance Management

---

ACE Quarterly Performance Reporting structure is based on ADS 203.3.2.1.c which recognizes that "USAID Missions/Offices usually have varying information needs for decision-making depending on the implementation stage of an Assistance Objective (AO). The basis for decision-making by AO Teams will vary according to the implementation stage of the program. Early in the implementation of an AO, AO Teams are likely to base their decisions largely on input and output data. As implementation proceeds and outputs become more substantial, AO Teams will still need to consider the input and output data sources, but will also focus their program management decisions more on whether intended results are being achieved".

ACE's approach to performance management is expressed in project's PMP as approved in December of 2010. Measuring progress towards the provision of agricultural credit through the ADF and strengthening of Afghan financial and private sector intermediaries to provide sustainable agricultural lending initiatives are at the heart of the ACE PMP. The program's M&E unit carries out the monitoring system outline in the PMP through a two-pronged approach to tracking results.

First, output information and data on lending is primarily collected through project technical staff. The M&E team backs up the new loans to financial and private intermediaries with developing documents and forms for the proof of loans to farmers. M&E staff travels to provinces to conduct baseline and impact studies for the agribusinesses supported by the project as well as to verify performance data.

Second, M&E staff regularly conducts data quality assessments, review the data generated by the technical staff as well as the data collected from the clients. In case activities that further need attention are identified, special inspections and studies are conducted. The M&E Managers are responsible for analyzing aggregate data across the program reflecting results and identifying bottlenecks.

ACE's first quarterly report focused on the program's start up and development of leading documents such as the Annual Work Plan, Performance Management Plan and putting procedures in place for processing loan applications and the establishment of the ADF. In the second quarterly report, since still being in an early stage of award implementation, the project reported the approval of the ACE PMP, Annual Work Plan and the first project outputs.

During the reporting quarter the ADF Credit Procedures document has been discussed and reviewed with both MAIL and USAID. The document has now been approved by USAID and is currently pending MAIL approval. Once the ADF Credit Procedures is formally approved, the whole series of conditions precedent upon which the ADF funds can be transferred through the Ministry of Finance would be met. ACE will exhaust the initial fund of US\$15 million by April, which results in the immediate need for the approval of ADF Credit Procedures in order to continue processing loan applications and committing funds.

As described in the Component 1 Section, during the reporting quarter two loan contracts have been modified causing delay in their initial implementation, the loan with Tabasom Raisin Company has been terminated, and the Poultry Project has been postponed till the engagement of a technical consultant who will conduct a feasibility study. All these factors impact primarily the performance data derived from two indicators:

#1.1 Value of finance accessed through lending

#1.2 Number of individuals benefitting from financial agreements (loans to farmers)

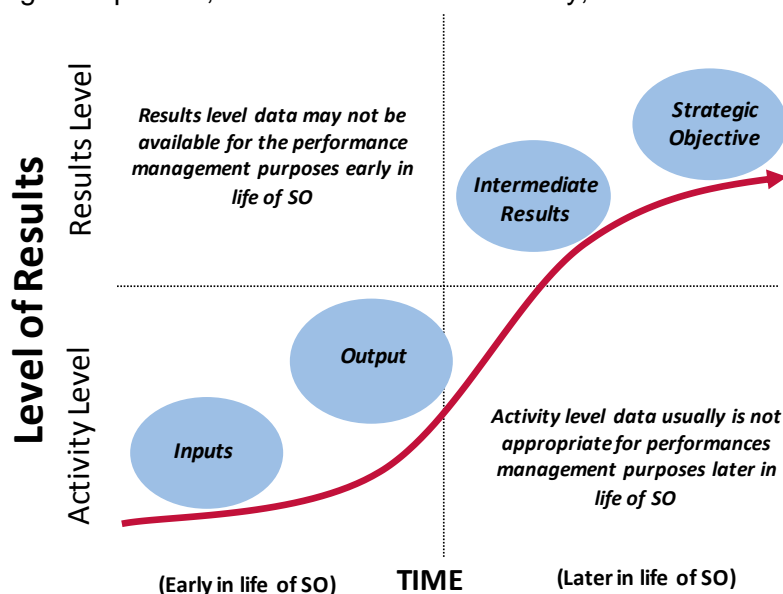
Given that the data reported across these two indicators has dramatically changed since the previous quarter, ACE will report cumulative performance achievement along these two indicators (see ACE Performance Indicator data on Page 29).

The Afghanistan Almond Industry Development Organization which benefitted from an ADF loan worth of \$800,000 initially signed up for 2,500 loans to farmer initially, then submitted 1,997 loan applications from

the farmers.. However, during this quarter AAIDO did not feel comfortable with extending credit to this large number of farmers stating their inability for credit administration with such large number of farmers and associated risk with farmers guarantee and collateral. For this reason, the number of almond grower beneficiaries was reduced to 500 farmers in the first stage.

In the aftermath of this decision, some of the potential

beneficiaries in Kunduz, Samangan and Balkh provinces withdrew from the ADF loan plan due to an overlap of the ADF assistance with almond agricultural input subsidized at 50% by the Horticulture and Livestock Program (HLP). Even though the HLP intervention aims at assisting new almond orchards, some of the AAIDO members have withdrawn from the almond agricultural input loan provided by ADF. To mitigate and assess the situation, ACE is





in the process of conducting a rapid inspection in Balkh, Samangan and Kunduz to collect data on the actual beneficiaries from ADF assistance. The program is also carrying out a financial audit for the organization as well as inspecting agricultural input-suppliers in Mazar and Kabul. The client (AAIDO) has been notified on a temporary hold of further disbursements which are contingent upon the results of the above inspections. Till this matter is clarified, ACE will not count and report the loans to farmers issued by AAIDO. The progress on this inspection will be conveyed in the next quarterly report.

It is worth mentioning that, even though \$16 million in ADF loans have been approved, \$3.5 million has been disbursed till March 31, 2010. This is due to the fact that the loans are disbursed in multiple tranches. Till the end of this quarter, the number of loans made to agribusinesses is six, varying between \$100,000 to Season Honey and two loans totaling \$1,970,000 to Hamid Flour Mill Company.

TABLE 3: ADF Loans to Agribusinesses

ADF Loans to Agribusinesses				
	Borrower	Loan Type	Province	Loan \$ to date
Clients Sensitive Information				

The loans to farmers fully disbursed and reported till the end of Quarter 2 are issued by Islamic Investment and Finance Cooperatives Group (IIFC), and Kunar and Helmand Farm Stores (member stores Afghanistan Association of Farm Service Centers). A clear picture of the number of value of loans issued to farmers by the ADF intermediaries disaggregated by province is shown below.

TABLE 4: Loans to farmers issued by FSC Helmand

<b>Helmand FSC – Individual Loan Agreements with Farmers</b>			
<b>Province</b>	<b>Loan Amount (AFN)</b>	<b>Loan Amount (USD)</b>	<b># of loans to farmers</b>
FARAH	1,209,003	26,867	165
GHOR	35,035	779	6
HELMAND	7,238,826	160,863	1,005
KANDAHAR	599,319	13,318	84
NIMROZ	146,694	3,260	22
UROZGAN	983,507	21,856	112
ZABUL	677,629	15,058	95
<b>TOTAL</b>	<b>10,890,013</b>	<b>242,000</b>	<b>1,489</b>

TABLE 5: Loans to farmers issued by IIFC

<b>IIFC – Individual Loan Agreements with Farmers</b>			
<b>Province</b>	<b>Loan Amount (AFN)</b>	<b>Loan Amount (USD)</b>	<b># of Loans to Farmers</b>
BAGHLAN	3,146,000	69,911	89
BALKH	1,987,000	44,156	52
FARYAB	3,395,000	75,444	44
KUNDUZ	1,007,000	22,378	33
SAMANGAN	515,000	11,444	13
<b>TOTAL</b>	<b>10,050,000</b>	<b>223,333</b>	<b>231</b>

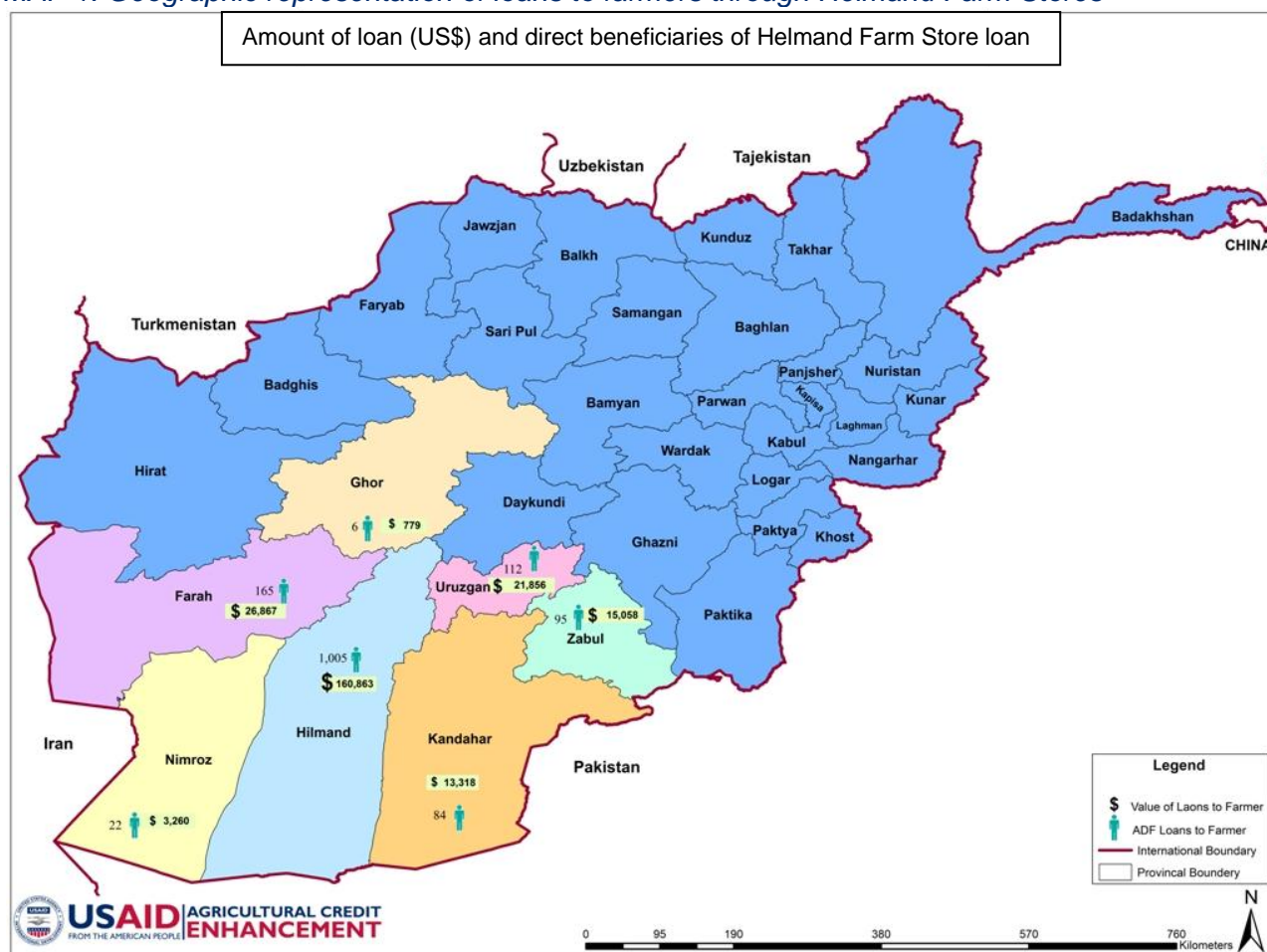
TABLE 6: Loans to farmers issued by FSC Kunar

<b>Kunar FSC</b>			
<b>Province</b>	<b>Loan Amount (AFN)</b>	<b>Loan Amount (USD)</b>	<b>Nr of Farmers</b>
KUNARHA	14,040,000	312,000	630
<b>TOTAL</b>	<b>14,040,000</b>	<b>312,000</b>	<b>630</b>

Two grants have been approved during the last quarter for the establishment of Credit Management Units for AAIDO and Eastern Region Fruit Growers Association. Even though the grant for Afghanistan Almond Industry Organization qualified for a Challenge and Innovation type of grant, due to the urgency of the issue and reluctance of MAIL to approve ADF challenge and innovation grants, the project (under a special letter) issued the award as an ACE grant.

While ACE does not yet report on indicators such as: “Percent increase in household income” and “Percent Increase in the domestic and export sales for firms supported by ACE” since this data will only be available annually, the M&E team does track “The net total increase in FTE jobs created by USG sponsored agriculture activities”. This data is collected on a quarterly basis from the agribusinesses. For the current quarter, the new FTE jobs reflect the increase in employment due to the ADF loans awarded to Javid Afghan Thresher and Advanced Building Systems.

MAP 1: Geographic representation of loans to farmers through Helmand Farm Stores



The table on the next page shows ACE's actual performance against PMP indicator targets for Quarter 2/2011. The third column demonstrates the cumulative performance by March 31<sup>st</sup> 2011, whereas the last column shows the end of the year (FY 2011) targets.

Finally, during the last quarter, the ACE M&E team prepared and submitted a performance management plan to MAIL. The document includes a subset of ACE indicators, and if approved by MAIL, will constitute the Monitoring and Evaluation framework of ADF to USAID. In the next quarter, ACE M&E will continue assisting end borrowers with the loan agreements and will conduct field visits as well as inspection and spot checks to assure that the loans actually reach the farmer and the M&E provides high quality data for management decision making and tracking of program's overall performance.

**TABLE 7: ACE PERFORMANCE DATA TABLE - QUARTER 2 FY2011\***

ACE PERFORMANCE INDICATORS	ACTUAL Q1 FY2011	ACTUAL Q2 FY2011	ACTUAL Performance Q1+Q2	TARGET FY2011
<b>1.1 Value of Finance Accessed</b>	18,122,050 approved by Credit Committee	16,041,750	16,041,750	31,200,000
<b>1.2 Number of individuals benefitting from ACE or ADF financial agreements</b>	5,800 data under cleaning)	2,356**	2,356	12,000
<b>1.3 Percent Increase in income by assisted farms and agribusinesses</b>	-	-	-	10%
<b>1.4 Net total increase in Full-Time Equivalent (FTE) jobs created by USG sponsored agriculture activities*</b>	25.5	64.9	90.4	250
<b>2.1 Value of Challenge/Innovation and Agriculture modernization grants disbursed</b>	\$ 80,623	\$ 145,290	\$ 225,913	up to \$6million
<b>2.2 Number of participating financial intermediaries and private intermediaries on-lending funds from ADF</b>	6	2	8	15
<b>2.3 Number of innovative lending products established by Pls and FIs</b>	1	1	2	2
<b>2.4 Percentage of loan losses resulting from ACE lending recommendations</b>	0%	0%	0%	<5%
<b>3.1 Total Value of domestic and export sales of Afghanistan agriculture products for firms supported by ACE</b>	-	-	-	10%
<b>3.2 Number of loans approved under USAID's Development Credit Authority (DCA) mechanism</b>	0	0	0	2
<b>3.3 Number of public private partnerships formed as a result of USG assistance (including GDAs)</b>	0	0	0	1
<b>4.1 Number of conferences, workshops and other initiatives designed to foster increased credit to the agricultural sector carried out through the Agricultural Credit Working Group</b>	2	0	2	5
<b>4.2 Number of market information and market intelligence products created and disseminated by the established knowledge management unit</b>	2	5	7	12

\*A detailed Excel spreadsheet attached to this document as Annex A will provide evidence for the data presented in the Performance Indictors Table.

\*\*For Indicator #1.2 ACE/ADF is counting the number of loans to farmers and to agribusinesses. While the project issued through NFIs 2,350 loans to farmers, 6 direct loans were issued to agribusinesses.

## Administrative and Human Resources

---

With the beginning of the spring planting season, the ADF opened its three regional offices in Jalalabad, Mazar-e-Sharif and Herat. The new offices, staffed by lending officers and value chain specialists, are now fully operational and will serve the credit needs of farmers and other agribusiness entrepreneurs in the eastern, northern and western regions of Afghanistan. The southern region will continue to have oversight from the Kabul office. This new infrastructure will enable the ADF to play a significant role in the provision of credit to the agricultural sector. This is particularly important considering the new offices will have customer service windows for the reception of loan applications. The customer service window operators will in turn conduct a preliminary review of the loan applicants and will either channel their applications to the Kabul office, or refer them to other lending institutions. The new network will enable the ADF to have a true presence in the main agricultural areas of the country.

In the reporting period, ACE/DAI mobilized seven expatriate personnel to the field, of which one new lending officer one value chain advisor who was approved by the USAID as the Component two Team Leader; the Director of Operations, and the Credit Administration Officer.

TABLE 8: Expatriate personnel deployed during Quarter 2 FY2011

No	Name, Surname	Position	Term
1	Lawrence "Chris" Blatnik	Credit Administration Officer	LTTA
2	Sudharshini Dharmwardane	TAMIS Administrator	STTA
3	Stephanie Schwartkopf	Business Manager	STTA
4	Edmundo Benavides	STTA Consultant	STTA
5	Ryan Schear	Director Of Operations	LTTA
6	Enio Jaco	Sr. Lending Advisor	LTTA
7	Danilo Benavides	Value Chain Advisor	STTA

Hiring of two internal auditors and one risk management officer brings ACE into a favorable position in terms of ability to pre-audit the ADF borrowers before the loan packages are presented at the Credit Committee Meeting. The expat value chain advisor has interviewed and selected three value chain specialists who will work from the regional offices focusing at following up the existing clients with technical assistance and help identifying new businesses along the value chains. Two short term database specialists have been hired to design the Knowledge Management database led by the MIS department and the ACE Performance database for the M&E Unit.

TABLE 9: National Staff hired during Quarter 2 FY2011

No	Name, Surname	Position	Start Date
1	Abdullah Habiby	Internal Auditor	21-Feb-11
2	Naeem Naqeebullah	Risk Management Officer	23-Feb-11
3	Mohammad Khitab	Grants Coordinator	8-Mar-11
4	Abdulrahman Haqdoost	Value Chain Specialist	1-Mar-11
5	Ahmad Jawed Khiabani	Lending Advisor	1-Mar-11
6	Rahmatullah Sherzad	Value Chain Specialist	1-Mar-11
7	Mohammad Shoaib Amin	Value Chain Specialist	15-Mar-11
8	Jawad Habibi	Lending Advisor	26-Mar-11
9	Wafiullah Dehzad	Internal Auditor	29-Mar-11
10	Bashir Ahmad	DataBase Specialist	26-Mar-11
11	Mohammad Hemat	Finance Consultants	25-Mar-11
12	Hashmatullah Esmat	DataBase Design	27-Mar-11
13	Mohammad Fahim	Finance Officer	15-Mar-11
14	Azizi Aziz	Interpreter/Translator	2-Jan-11
15	Azizul Rahman	Interpreter/Translator	15-Mar-11

## Key Administrative Challenges and Lessons Learned

- Since operating from MAIL has proved to be very challenging due to limited office space, lack of reliable internet connection, the unreliable nature of city power and poor heating the project has moved into a new offices space. The new offices are located at Dar-ul-aman Road, outside of the MAIL compound.
- Hiring for the position of ADF Customer Service personnel has moved slower than predicted, but will be completed within the next few weeks.

## IMPLEMENTATION CHALLENGES

The initial US\$15 million for lending channeled through the ACE contract will be exhausted in the first week of April. This will prevent ACE/ADF from continuing lending until the next allocation of funds is disbursed through the Ministry of Finance. This is likely to:

- Result in a time gap in lending. While ACE will continue processing loan applications, the program will be unable to sign loan agreements and commit funds.
- Compromise ACE's ability to meet the lending targets established for project year one.
- As per the agreement between USAID and GIRoA, MAIL is required to comply with a series of conditions before the funds can be transferred through the Ministry of Finance. The only condition precedent pending at the date of this report is MAIL's approval of ADF policies and procedures. Resolving this impasse will require USAID's intervention.
- The delay in the registration of the ADF by MAIL is still a major area of concern. The lack of a registered lending institution prevents ACE from having recourse on collateral, thereby significantly increasing the risk of default.